



URBANXCHANGE

Affordable Housing Report 442 – 450 Auburn Road and 9 Bills Street Hawthorn



April 2022

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1 EXECUTIVE SUMMARY

Hamton JV (Hawthorn) Pty Ltd are the developer (the developer) and are seeking a planning scheme amendment to rezone the land at 442 – 450 Auburn Road and 9 Bills Street Hawthorn. The site is within the City of Boroondara. The proposed framework for the site anticipates approximately 320 new dwellings be delivered in a mix of 1, 2 and 3 bedroom dwellings. The development will take place over two stages and the timing of the stage releases is market dependant.

The development of the site aims to complement and enhance the redevelopment of the adjoining Homes Victoria land to the immediate south, which is a 1 hectare site that will provide approx. 206 new social and affordable dwellings. The proposal seeks to treat the subject site and the Homes Vic site as one integrated precinct with multiple connections and shared landscape spaces. In combination, these sites will contribute to a significant, integrated in-fill development: the creation of a 2.65-hectare gentle medium density precinct of the highest standards.

The report has based its strategy for affordable housing on the affordable housing objective as the Victorian Government *Homes for Victorians* definition.

The affordable housing definition from *Homes for Victorians* is:

Affordable Housing is housing that is appropriate for the needs of a range of very low to moderate income households, and priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs.

The definition as supplied in *Homes for Victorians* is also defined in Section 3AA of the Victorian Planning and Environment Act 1987 which contains the following definition of affordable housing:

(1) For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following—

- (a) very low income households;*
- (b) low income households;*

(c) moderate income households.

(2) For the purposes of determining what is appropriate for the housing needs of very low income households, low income households and moderate income households, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.

The Victorian Government, under section 3AB of the Planning and Environment Act 1987, has specified income ranges for Greater Melbourne with respect to affordable housing.

It is on this basis that the provision of affordable housing is being considered for the Hawthorn development.

The development will contain 10% affordable housing. The groups of identified need that will be the focus of housing are moderate income earners and those members of the community eligible for Specialist Disability Accommodation (SDA).

The affordable housing solution/s offered are supported by demographic data that highlights for the City of Boroondara:

- Home ownership rates among 25-34 year old has fallen from more than 60 per cent (1991) to 45 per cent (2016). For 35-44 year old's, home

ownership has fallen fast – from 74 per cent in 1991 to around 62 per cent today – and home-ownership is also declining for 45-54 year olds¹.

- City of Boroondara has a lower proportion of the population represented in 20 – 39 year old compared to Greater Melbourne
- The City of Boroondara is an ageing community
- The City of Boroondara is a community of high income earners and is underrepresented in low to moderate income earners.

Affordable housing for those on moderate incomes aged between 20 and 35 years of age will provide opportunities to increase the population in that cohort.

There are a number of affordable housing tenure mechanisms for consideration, these include:

- Restricted purchase
- Shared equity
- Build to rent
- Rent to buy
- Social housing
- NDIS/SDA

These mechanisms will require only partial or no government funding to achieve outcomes. Given the changing political environment and the period of approvals before the development commences the affordable housing should be flexible to reflect the changing environment. If there is a change of Federal Government in May 2022, then there will be a significant change in affordable housing position and possible funds. For example, there are discussions of a Housing Future Fund to deliver some 30,000 dwellings over 5 years. This would include a Build to Rent and Shared Equity.

Prior to the occupation of the dwellings in 442 – 450 Auburn Road Hawthorn, the developer will inform the Responsible Authority, via written

correspondence, how it has met the 10% affordable housing commitment. The proposed affordable housing correspondence must articulate:

- The location of the affordable housing (nomination of location and approximate timing of delivery)
- The proposed delivery mechanism of the affordable housing.

¹ Burke et al. (2014). Burke, T., Stone, W. and Ralston, L. *Generational change in home purchase opportunity in Australia*. 232. Australian Housing and Urban Research Institute

2 BACKGROUND

Hamton JV (Hawthorn) Pty Ltd are the developer (the developer) and are seeking a planning scheme amendment to rezone the land at 442 – 450 Auburn Road and 9 Bills Street Hawthorn. The site is within the City of Boroondara. The proposed framework for the site anticipates approximately 320 new dwellings be delivered in a mix of 1, 2 and 3 bedroom dwellings. The development will take place over two stages and the timing of the stage releases is market dependant.

It is noted that Hamton is seeking to have the site rezoned to the Residential Growth Zone (RGZ) and apply a Development Plan Overlay (DPO) and an Environmental Audit Overlay (EAO).

The development of the site aims to complement and enhance the redevelopment of the adjoining Homes Victoria land to the immediate south, which is a 1 hectare site that will provide approx. 206 new social and affordable dwellings. The proposal seeks to treat the subject site and the Homes Vic site as one integrated precinct with multiple connections and shared landscape spaces. In combination, these sites will contribute to a significant, integrated in-fill development: the creation of a 2.65-hectare gentle medium density precinct of the highest standards.

It is noted that the Victorian Government's Homes for Victorians provides definitions of Affordable Housing. The document also recognises that affordable housing applies to redevelopments. The Planning and Environment Act and associated notes indicate that the implementation of affordable housing is voluntary.

Cities provide a multitude of services and opportunities to their residents and the most fundamental of these are access to adequate housing and employment.

Having a diverse range of dwelling types, tenures and price points throughout a city is essential so that all members of the community can find housing appropriate to their needs and within their household income.

A shortage of affordable housing (including affordable rental housing) is a constraint on economic growth and can prevent lower to moderate income households from fully participating in economic and social opportunities.

This can occur when people are priced out of living in inner and middle ring areas, and are forced to choose between commuting long distances to the job-rich city centre, or potentially forgoing employment altogether if they cannot obtain a job locally. There is evidence of fierce competition for local jobs in growth areas, where the ratio of jobs to households is lowering over time².

Moderate to lower income householders who are unable to purchase their own dwelling are faced with either applying for public housing or renting privately. The supply of public housing units within Australia is unlikely to significantly increase in the foreseeable future, and will continue to be allocated to the most disadvantaged households. However, as our population continues to grow, and the disparity in growth between housing prices and wages endures, the number of low to moderate income households unable to access affordable and suitable housing is expected to keep rising. This is reflected in an increasingly long list of people waiting for limited public housing resources.

For our cities to function in the most efficient and equitable manner, they must be able to provide all residents with housing that enables people to fully participate in the job market, make stable education arrangements for their children, and maintain social connections.

² Jane-Frances Kelly and Paul Donegan (2015) *City Limits: Why Australia's Cities Are Broken and How We Can Fix Them*

Our economic growth and productivity will be affected if employers cannot draw from the widest possible pool of potential employees because an increasingly larger sector of the population is unable to travel to their workplace within a reasonable time and at a reasonable cost. So poor housing affordability has both economic and social implications that have an impact on the sustainability of metropolitan areas.

3 DEFINITIONS AND STRATEGIC CONTEXT

3.1 THE DEFINITION UNDER 'HOMES FOR VICTORIANS' AND THE PLANNING AND ENVIRONMENT ACT 1987

The Victorian Government policy *Homes for Victorians* provides a clear definition of affordable housing:

Affordable Housing is housing that is appropriate for the needs of a range of very low to moderate income households, and priced (whether mortgage repayments or rent) so these households are able to meet their other essential basic living costs.

The *Homes for Victorians* policy also provides the following definitions of public, community and social housing:

Public Housing

Housing owned and managed by the Director of Housing. The Government provides public housing to eligible disadvantaged Victorians including those unemployed, on low incomes, with a disability, with a mental illness or at risk of homelessness.

Community Housing

Housing owned or managed by community housing agencies for low income people, including those eligible for public housing. Community housing agencies are regulated by the Government.

Social Housing

Social housing is an umbrella term that includes both public housing and community housing. Its provision usually involves some degree of subsidy.

Section 3AA of the *Victorian Planning and Environment Act 1987* essentially adopts the *Homes for Victorians* definition of affordable housing, as follows:

(1) For the purposes of this Act, affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following—

(a) very low income households;

(b) low income households;

(c) moderate income households.

(2) For the purposes of determining what is appropriate for the housing needs of very low income households, low income households and moderate income households, regard must be had to the matters specified by the Minister by notice published in the Government Gazette.

3.2 AFFORDABLE HOUSING IN THE PLANNING AND ENVIRONMENT ACT 1987

In 2018, the Planning and Environment Act (the Act) was amended to include a new Objective to “facilitate the provision of affordable housing in Victoria” and to include a definition of affordable housing (as described in section 3.1 of this report).

The affordable housing framework established under these reforms also introduces two new instruments and a range of support, guidance and educational material.

The first instrument is the specification of the income levels associated with very low, low and moderate income households for affordable housing that is not social housing. A Governor in Council Order setting out these income levels has been published and will be updated annually in the Government Gazette (refer to table 1 for the current rates).

The second instrument is the Ministerial Notice relating to the specified matters referred to in Section 3AA(2), which lists the following as “matters to which regard must be had for the purposes of determining what is appropriate for the housing needs of very low, low and moderate income households:

- *Allocation*
- *Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for)*
- *Longevity (in terms of the public benefit of the provision)*
- *Tenure*
- *Type of housing, in terms of form and quality*
- *Location, in terms of site location and proximity to amenities, employment and transport*
- *Integration, in terms of the physical build and local community*
- *The following official estimates of housing need:*
 - *Australian Bureau of Statistics Community Profiles*
 - *Census profiles for Victoria*
 - *Department of Health and Human Services Rental Report*
 - *Metropolitan regional housing plans to guide housing growth*
 - *Public housing waiting list (Victorian Housing Register list)*
 - *Victoria in Future data tables.*

These latter guidelines suggest a four-step process for the negotiation of agreements, as follows:

- 1) Preparation of the strategic basis by the responsible authority.
- 2) Pre-negotiation between the responsible authority and landowners, and also potentially the end recipient of the affordable housing and a broker.

The key focus should be on the responsible authority clearly articulating the proposed affordable housing outcome they are seeking.

- 3) Negotiation between the parties to discuss the viability of including an affordable housing component within the development, the end recipient's capacity to support the outcome, and the method and terms by which the affordable housing will be delivered.
- 4) Delivery of the affordable housing by the landowners.

Further guidance from DELWP outlines the requirements for a Responsible Authority to:³

- *establish strategic justification for an affordable housing request,*
- *identify value to support the delivery,*
- *ensure clear land-owner agreement,*
- *not unduly impact commerciality of the development,*
- *give regard to a registered housing agencies support for the proposal, and*
- *test it against the definition and list of matters (as outlined by the Minister for Planning).*

³ Available at: <https://www.planning.vic.gov.au/policy-and-strategy/affordable-housing> including Ministerial Notice 'Specified Matters under Section 3AA(2)', (Accessed 17 May 2018)

The Victorian Government, under Section 3AB of the Planning and Environment Act 1987, has specified the following income ranges for Greater Melbourne with respect to affordable housing that is not social housing:

Table 1 - Governor in Council Orders, July 2021

| | Very low income range (annual) | Low income range (annual) | Moderate income range (annual) |
|--|--------------------------------|---------------------------|--------------------------------|
| Single adult | Up to \$26,200 | \$26,201 to \$41,920 | \$41,921 to \$62,860 |
| Couple, no dependents | Up to \$39,290 | \$39,291 to \$62,870 | \$62,871 to \$94,300 |
| Family (with one or two parents) and dependent children | Up to \$55,000 | \$55,001 to \$88,020 | \$88,021 to \$132,030 |

3.3 WHAT DOES AFFORDABLE HOUSING LOOK LIKE?

There is a variety of affordable housing delivery models available to meet the housing needs of different income groups, as conceptually illustrated in Figure 1 below. The level of government subsidy associated with each model is proportional to the income band and, therefore, the capacity of the household to pay market rent or mortgages.

The models identified in Figure 2 provide a simple conceptual framework for considering the relationship between income groups, tenure types and the relative level of government subsidy that might be needed for each model to be applied.

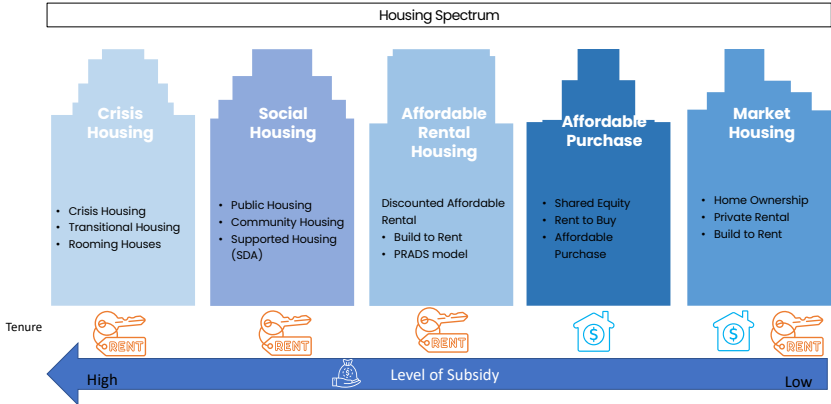


Figure 1 - Income ranges to affordable housing models and depth of subsidy

In applying any affordable housing outcomes, they are different depending on the identified occupiers as shown in figure 2.

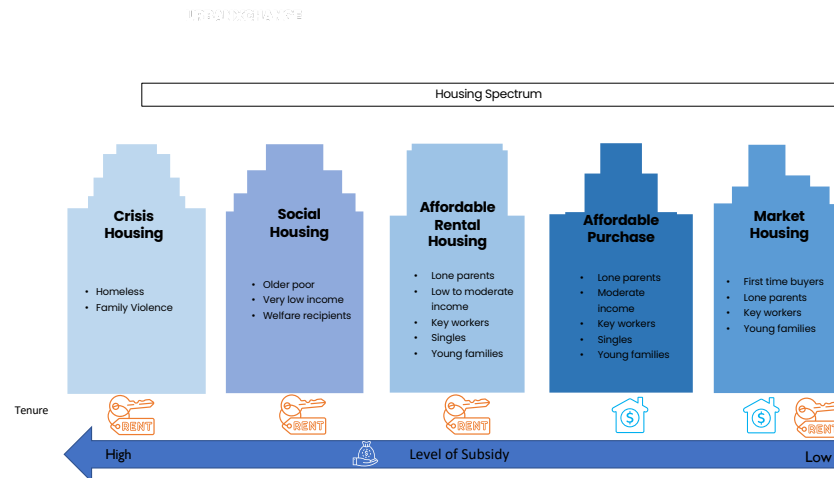


Figure 2 - Occupiers of affordable housing

3.4 AFFORDABLE HOUSING TENURES

Affordable housing can cover many tenures, social rental, private rental, rent-to-buy, low cost purchase and purchase. It is important to recognise that the various tenure types will allow various sections of the community access to housing to meet needs from low to moderate income earners.

Outlined below are the many tenure types that can be applied to affordable housing.

Affordable purchase – This is a form of price-controlled purchase housing that is accessible for purchase by those on defined incomes. So far, only South Australia has fully recognised affordable purchase as a mechanism for providing affordable housing. The key principles of affordable purchase models are as follows:

- The dwelling must be offered for sale at or below a nominated “affordable” price

- The dwelling must be offered for sale to eligible buyers who meet the GIC criteria as outlined above
- The discount for affordable housing for the first purchaser is preserved for future purchasers.

In Victoria, The Nightingale housing model has a transparent process for documenting land purchase and development costs. The purchase price is based on the development achieving a return of 15 per cent.

The price of housing in the Nightingale model is not always “affordable” as defined under Victorian Government’s definition (although some of the projects under this model do have an explicit affordable housing component). However, it is delivering “high value for money” housing by reallocating the cost-savings associated with removing items such as car-parking, marketing costs, etc. into other design and building features. The principle of price control for the first and subsequent purchasers is established.

Under this model, there is a system to control purchase price as well as mechanisms to prevent the first purchaser having a windfall gain at the expense of future owners. Title covenants have been developed that provide a formula for the resale of the property. The model recognises capital growth for each progressive purchaser/seller, and it also recognises that the market opportunity provided to the first purchaser should be transferred. The time period of the covenant must be considered, but usually covenants have a life of 10 to 20 years.

Shared equity – These arrangements cover a range of products, schemes and initiatives that enable the division of the value of a dwelling between a purchaser and a second party who also holds equity in the dwelling. The essential feature of shared equity models is that the buyer shares the capital cost of purchasing a home with an equity partner, thereby permitting households to buy a home with lower income levels than would otherwise be required. In simple terms, this umbrella term is used to encompass government-backed and private sector-led schemes based on arrangements whereby the purchaser enters into an agreement with a partner to share the cost of purchasing a property.

Rent to buy – The homes are offered at a fixed (sometimes below market) rent for a minimum of five years and let on assured short-hold tenancies for a fixed term. The model being adapted in Australia is that, after five years of renting, the tenant

has first option to purchase the dwelling at price agreed at the commencement of the five-year term. If the tenants don't want to buy, the landlord can retain the property as rented housing or sell it on the open market.

For households that require affordable rental, consideration needs to be given to both build to rent and social housing, both of which are described below.

Build to rent. - Developers and their financiers build multi-unit buildings and, instead of selling the units, retain them to let to tenant households. Rents may be set at market rent or, for affordable and social housing, at an appropriate discount to market rents.

There are two scenarios to be considered with the private build to rent model: one is the institutional investor who will build a whole building for 100% build to rent; the other option to be considered is the developer who retains or sells a portion of the dwellings to be rented at a below market rent to eligible renters.

Social housing - This is owned by a state government or by a community housing organisation. Community housing organisations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or state housing regulators. Housing Associations and Providers are independent companies that are overseen by a skills-based board.

NDIS/SDA. Housing for NDIS participants has three elements, housing, planning and support. All three elements are required for a successful outcome. There is a clear delineation of responsibility with the NDIA being responsible for the SDA and the relevant state governments/agencies will be responsible for the balance being support and planning.

So, what does this mean in terms of affordability and pricing for housing. Table 2 outlines what 30% of income represents for rental or mortgage payments, in \$5,000 increments.

Table 2 - Housing cost and incomes based on low to moderate income ranges on \$5,000 increments

| Income (\$) | | Housing cost @ 30% of income (\$) | | |
|-------------|-----------|-----------------------------------|-----------|-----------|
| Per week | Per annum | Per week | Per month | Per annum |
| 577 | 30,000 | 173 | 750 | 9,000 |
| 673 | 35,000 | 202 | 875 | 10,500 |
| 769 | 40,000 | 231 | 1,000 | 12,000 |
| 865 | 45,000 | 260 | 1,125 | 13,500 |
| 962 | 50,024 | 289 | 1,251 | 15,007 |
| 1,058 | 55,016 | 317 | 1,375 | 16,505 |
| 1,154 | 60,008 | 346 | 1,500 | 18,002 |
| 1,250 | 65,000 | 375 | 1,625 | 19,500 |
| 1,346 | 69,992 | 404 | 1,750 | 20,998 |
| 1,442 | 74,984 | 433 | 1,875 | 22,495 |
| 1,538 | 79,976 | 461 | 1,999 | 23,993 |
| 1,635 | 85,020 | 491 | 2,126 | 25,506 |
| 1,731 | 90,012 | 519 | 2,250 | 27,004 |
| 1,827 | 95,004 | 548 | 2,375 | 28,501 |
| 1,923 | 99,996 | 577 | 2,500 | 29,999 |
| 2,019 | 104,988 | 606 | 2,625 | 31,496 |
| 2,115 | 109,980 | 635 | 2,750 | 32,994 |
| 2,212 | 115,024 | 664 | 2,876 | 34,507 |
| 2,308 | 120,016 | 692 | 3,000 | 36,005 |
| 2,404 | 125,008 | 721 | 3,125 | 37,502 |
| 2,500 | 130,000 | 750 | 3,250 | 39,000 |

4 DEMOGRAPHIC OVERVIEW

An overview of the demographics of the Australian housing market is provided in Attachment 1. The specifics of the broader market and how they are reflected in the City of Boroondara are noted below.

4.1 AUSTRALIAN CONTEXT

Over the long term, prices have risen rapidly in all cities and most regions, although there are variations from year to year.⁴ Average prices have increased from about two to three times average disposable incomes in the 1980s and early 1990s to about five times more recently.⁵ Median prices have increased from around four times median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney and Melbourne)⁶.

Population growth is a basic, if often overlooked, factor in differences between housing systems. High population growth means that a housing system needs to continually add new stock, which may have implications for the replacement of old stock; the investment of resources in new supply needs also to be financed and implemented. Volatility in rates of growth may pose challenges for the planning, financing and marketing of housing. All these factors may have implications for the distribution of housing between sectors and between people.

Home ownership rose rapidly in Australia in the early 1950s, from about 50 per cent to 70 per cent. Overall home ownership remained around 70 per cent for the next 50 years; a slight decline during the past decade saw it fall to 67 per cent in 2016.

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see figure 3).

Consequently, without intervention, home ownership rates are unlikely to bounce back over time. For 35-44 year olds, home ownership has fallen fast – from 74 per cent in 1991 to around 62 per cent today – and home-ownership is also declining for 45-54 year olds. These trends are expected to translate into a 10 percentage point fall in home-ownership rates for over-65s by 2046.

Home ownership has been the Australian way of wealth creation for many generations. Many aspects of Australian policy, including areas relating to retirement incomes, access to finance and rental tenure, have been built on the assumption that most Australians will own their home.

Today's trends suggest that a greater proportion of people reaching retirement age will be renting and that more of them will depend on the private rental market rather than social and public housing. They also indicate that, without adequate incomes, the rate of homelessness will increase.

Accurate predictions for the growth of household formation relative to income have not been available since the Abbott Government ceased the work of the National Housing Supply Council. However, the work of the National Supply

⁴ Stapledon (2012).

⁵ C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

⁶ The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as

average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

Council has remained valid and indicates we should expect a rapid increase in lone person households, mostly at the expense of family households. It also indicates a need for a diversity of housing types to meet changing household structures in the future.

Of particular note is the increase of lone person households in Australia's capital cities, particularly Melbourne. The biggest increase in lone person households will be seen by those in the 20 – 35 age in the moderate income range.

4.2 OVERVIEW OF POPULATION AND HOUSING ISSUES IN THE CITY OF BOROONDARA

A review of the ABS 2016 census data for the City of Boroondara provides a demographic overview of the community and indicates where the need for affordable housing may be greatest. The need in Boroondara is broad ranging, including for moderate income earners. The ABS data shows:

Age characteristics

The City of Boroondara is an ageing community. It has significant community membership in the over 45 category and young people under 19 years of age. This suggests that it is either families or ageing.

Overall, 17.2% of the population was aged between 0 and 15, and 16.0% were aged 65 years and over, compared with 18.3% and 14.0% respectively for Greater Melbourne.

The major differences between the age structure of City of Boroondara and Greater Melbourne were:

- A larger percentage of persons aged 15 to 19 (7.1% compared to 6.0%)
- A smaller percentage of persons aged 30 to 34 (6.2% compared to 8.2%)
- A smaller percentage of persons aged 0 to 4 (4.6% compared to 6.4%)
- A smaller percentage of persons aged 35 to 39 (5.8% compared to 7.3%)

There is significant difference to Greater Melbourne in the 20 – 35 years category.

Income

Individual Income statistics are an indicator of socio-economic status. With other data sources, such as Household Income, Qualifications and Occupation, they help tell the story of the economic opportunities and socio-economic status of City of Boroondara.

Individual income levels in City of Boroondara in 2016 compared to Greater Melbourne shows that there was a higher proportion of people earning a high income (those earning \$1,750 per week or more) and a lower proportion of low income people (those earning less than \$500 per week).

Overall, 22.9% of the population earned a high income, compared with 11.9% for Greater Melbourne.

The major differences between City of Boroondara's individual incomes and Greater Melbourne's individual incomes were:

- A larger percentage of persons who earned \$3,000 or more (10.5% compared to 3.4%)
- A larger percentage of persons who earned \$2,000 - \$2,999 (8.2% compared to 5.1%)

Household income levels indicates that, almost 48% of households were high income households (those earning \$2,500 per week or more). Some, 20.8% of households earned over \$4,500 per week, making them very high income households.

Household types

Household/family types in City of Boroondara in 2016 compared to Greater Melbourne shows that there was a higher proportion of couple families with child(ren) as well as a lower proportion of one-parent families. Overall, 35.1% of total families were couple families with child(ren), and 7.9% were one-parent families, compared with 33.5% and 10.1% respectively for Greater Melbourne.

There were a higher proportion of lone person households and a similar proportion of couples without children. Overall, the proportion of lone person households was 23.1% compared to 22.0% in Greater Melbourne while the proportion of couples without children was 22.7% compared to 22.9% in Greater Melbourne. This is also a reflection of the aging community and children having left home.

Dwelling Tenure

Analysis of the housing tenure of households of City of Boroondara in 2016 compared to Greater Melbourne shows that there was a larger proportion of households who owned their dwelling; a smaller proportion purchasing their dwelling; and a similar proportion who were renters. Again the high ownership reflects an ageing population.

Overall, 36.3% of households owned their dwelling; 27.8% were purchasing, and 28.5% were renting, compared with 29.0%, 34.3% and 28.8% respectively for Greater Melbourne.

Disability

City of Boroondara's disability statistics relate directly to need for assistance due to a severe or profound disability.

In 2016, 6,406 people (or 3.8% of the population) in City of Boroondara reported needing help in their day-to-day lives due to disability.

Further the data shows that the following age groups listed as having a disability as:

Table 3 - ABS data 2016, Members of the Boroondara Community with a disability requiring assistance with everyday

| Age Group | Number | % of total age group |
|-----------|--------|----------------------|
| 0 to 4 | 63 | 0.8 |
| 5 to 9 | 199 | 2 |
| 10 to 19 | 340 | 1.5 |
| 20 to 59 | 1,109 | 1.2 |
| 60 to 64 | 243 | 2.8 |

The decreasing size of the population between 20 and 34 as a percentage of the population supports the position for the need for affordable housing that is available for purchase. The income levels of both singles and households shows a gentrified community. This together with the high levels of ownership suggest that Boroondara is an aging community that needs to provide alternate forms of housing to support younger people to be housed within the municipality.

4.3 POPULATION AND HOUSING PROJECTIONS FOR THE CITY OF BOROONDARA

Accurate predictions on the growth of household formation relative to income has not been available since the Abbott Government ceased the work of the National Housing Supply Council. Prior to its closure, the National Housing Supply Council forecasts were accurate. The National Housing Supply Council 2nd State of Supply report (2010), indicates that not only is there a negative amount of affordable housing for all people in the first three deciles (that is 75% of the population) of income, but that what housing is available to them is likely to be occupied by people with higher incomes.

The projections of national underlying demand by household type ('000 households, with percentage of increase in brackets), 2009 to 2029, medium household growth scenario is shown below:

Table 4 – National Housing Supply Council forecasts of household types

| Household | 2012 | 2013 | 2014 | 2019 | 2029 | Trending | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|---|
| 2xparent family | 2,689.4 31.5% | 2,767.0 30.7% | 2,793.7 30.5% | 2,820.9 30.2% | 2,960.4 29.2% | 3,228.4 27.5% | ↓ |
| 1xparent Family | 973.6 11.4% | 1,010.6 11.2% | 1,021.2 11.1% | 1,030.8 11.1% | 1,081.0 10.7% | 1,212.6 10.3% | ↓ |
| Couples no children | 2,318.5 27.2% | 2,475.6 27.5% | 2,527.6 27.6% | 2,578.7 27.6% | 2,813.1 27.7% | 3,170.5 27.0% | ↔ |
| Lone person | 2,210.8 25.9% | 2,396.8 26.6% | 2,463.3 26.9% | 2,531.6 27.1% | 2,896.5 28.6% | 3,712.8 31.6% | ↑ |
| Group | 337.7 4.0% | 355.9 4.0% | 361.3 3.9% | 366.4 3.9% | 389.8 3.8% | 435.7 3.7% | ↓ |

The conclusion to be drawn from this table is to expect a rapid increase in lone person households, mostly at the expense of family households. To support the increase in lone households there needs to be smaller dwellings that are affordable to meet the need.

The growth in households in Capital Cities in Australia, particularly Melbourne, by those in the 20 – 35 age groups in the moderate income range is shown in the large increases in rental housing by private landlords from the 2011 – 2016 census data. The 20 – 35 year age group is typically the age at which households are formed.

The City of Boroondara population and household forecasts present what is driving population change in the community and how the population, age structure and household types will change each year between 2016 and 2041.

The number of dwellings in City of Boroondara is forecast to grow from 69,712 in 2016 to 85,943 in 2041, with the average household size falling from 2.61 to 2.53 by 2041. The anticipated growth in SDA housing is 1 – 2 dwellings.

The population forecasts suggest that the City of Boroondara is going to grow from a population of 177,276 in 2016 to a population of 211,363 in 2041.

This increase in population is also matched by an increase in the number of households from 66,227 at 2016 census to a predicted 81,794 in 2041. The size of households is expected to drop from 2.61 persons per household in 2016 to 2.53 persons in 2041.

The largest increase in persons between 2016 and 2026 is forecast to be in ages 75 to 79, which is expected to increase by 1,922 and account for 3.4% of the total persons.

Table 5 - City of Boroondara forward projections to 2041

| Forecast year | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| Summary | 2016 | 2021 | 2026 | 2031 | 2036 | 2041 |
| Population | 177,276 | 185,436 | 191,618 | 197,734 | 204,378 | 211,363 |
| Change in population (5yrs) | -- | 8,160 | 6,182 | 6,116 | 6,644 | 6,985 |
| Average annual change | -- | 0.90% | 0.66% | 0.63% | 0.66% | 0.67% |
| Households | 66,227 | 69,866 | 72,904 | 75,880 | 78,833 | 81,794 |
| Average household size | 2.61 | 2.59 | 2.57 | 2.55 | 2.54 | 2.53 |
| Population in non private dwellings | 4,403 | 4,403 | 4,403 | 4,403 | 4,403 | 4,403 |
| Dwellings | 69,712 | 73,396 | 76,574 | 79,725 | 82,833 | 85,943 |
| Dwelling occupancy rate | 95 | 95.19 | 95.21 | 95.18 | 95.17 | 95.17 |

5 MINISTERIAL GUIDELINES ON AFFORDABLE HOUSING

The purpose of the Victorian Government affordable housing reforms is to encourage an increase in affordable housing through local councils seeking a voluntary affordable housing contribution, as part of planning approval processes⁷. The legislated definition of affordable housing and the associated GIC Orders set out the income bands for individuals and households that the State Government considers to be in need of affordable housing as described in Section 3 of this report.

The current State government policy does not specify any maximum percentage of an individual, couple or family’s income should be assumed as being spent on housing costs. However, there is broad support for the concept that individuals and households should spend no more than 30 per cent of income on housing costs. The position of 30% was established by AHURI (Yates and Gabriel, 2006).

The Planning and Environment Act 1987, Section 3AA(2) includes reference to the Ministerial Notice relating to the specified matters and lists “matters to which regard must be had for the purposes of determining what is appropriate for the housing needs of very low, low and moderate income households.”

Table 6 provides a response to the matters in the Ministerial Notice as these may be applied.

Table 6 - Application of the Ministerial Guidelines

| Matter | Urbanxchange’s recommendation |
|------------|---|
| Allocation | <p>The definition of affordability as set out in the Planning and Environment Act 1987, Section 3AA (i.e. very low, low and moderate income earners) should be applied in relation to any affordable housing provisions at Hawthorn. The application of all income categories is justified based on the demographics and housing need in the Boroondara LGA. The demographics indicate a high requirement for housing to attract moderate income earners, ideally between 20 - 35 years of age. It is noted that the Boroondara data shows a higher percentage of clients with a disability. This indicates that SDA for NDIS clients may also be applicable.</p> <p>It will be incumbent upon the developer or operator of the affordable housing in development in Hawthorn to ensure that the occupants meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. This can be achieved by evidence of income accompanied by an</p> |

⁷ <https://www.dhhs.vic.gov.au/delivering-social-housing-affordable-housing-contribution>

| Matter | Urbanxchange's recommendation |
|---|--|
| | executed Statutory Declaration from the occupier noting that their incomes are within the specified GIC Income criteria. |
| Affordability (in terms of the capacity for very low income, low income and moderate income households that it is intended for) | <p>Occupants of the affordable dwellings within development at Hawthorn should pay no more than 30% of income on affordable housing costs. The affordability is for occupants who meet the income eligibility criteria as set out in the GIC Orders at the time that occupancy commences. In this instance the affordable housing is targeted at moderate income earners.</p> <p>The position of 30% was established by AHURI (Yates and Gabriel, 2006) and has been adopted by all levels of government and the broader housing industry as an agreed position.</p> |
| Longevity (in terms of the public benefit of the provision) | <p>The affordable housing should be provisioned for 20 years, via agreed mechanisms that have a time limit of 10 - 20 years from initial occupancy.</p> <p>The longevity of ownership to the actual property cannot be in perpetuity as financial institutions will not finance projects with this condition. Nor in some instances of tenure type will they consider beyond 25 years.</p> |
| Tenure | <p>Urbanxchange suggests that the following range of potential tenure solutions:</p> <ul style="list-style-type: none"> • Restricted purchase • Shared equity • Rent to buy |

| Matter | Urbanxchange's recommendation |
|---|--|
| | <ul style="list-style-type: none"> • Build to Rent (either private or RHA) • NDIS/SDA <p>It is noted that the City of Boroondara has a significant shortfall of affordable rental and purchase dwellings. It is noted that affordable rental would be advantageous to attracting the 20 – 35 year age group to the municipality.</p> <p>The identified group of 20 – 35 years with low to moderate income earners may not be able to pursue rent to buy or shared equity.</p> <p>If there is a change of Federal Government in May 2022, then there will be a significant change in affordable housing position and possible funds. For example, there are discussion of a Housing Future Fund to deliver some 30,000 dwellings over 5years. This would include Build to Rent and Shared Equity.</p> |
| Type of housing, in terms of form and quality | <p>The affordable housing Hawthorn development must be tenure blind and if the properties are apartments the Better Apartment Design Standards.</p> <p>The size of the dwellings needs to meet the identified demographic need of smaller housing for 20 – 35 year olds.</p> <p>Based on the projected demographic need for single person and smaller households (as outlined in section 4.2, Urbanxchange suggests the following:</p> <ul style="list-style-type: none"> • 1 bedroom • 2 Bedroom |

| Matter | Urbanxchange's recommendation |
|---|--|
| Location, in terms of site location and proximity to amenities, employment and transport | Hawthorn is in an area of high amenities to support affordable housing. |
| Integration, in terms of the physical build and local community | <p>There are arguments for both salt and pepper and consolidated affordable housing. Consolidation reduces isolation and provides for easier management. The most successful affordable housing projects in Victoria, being The Merchant and The Nicholson both provided the affordable housing in a consolidated manner to provide for the successful management of the dwellings over the long term.</p> <p>The affordable housing dwellings should be tenure blind.</p> |
| <p>The following official estimates of housing need:</p> <ul style="list-style-type: none"> • Australian Bureau of Statistics Community Profiles • Census profiles for Victoria • Department of Health and Human Services Rental Report • Metropolitan regional housing plans to guide housing growth • Public housing waiting list (Victorian | <p>The data in section 4. and Attachment 1 of this report indicate that the need within Boroondara is:</p> <ul style="list-style-type: none"> ○ For housing for those aged 20 – 35 years ○ Housing for low-moderate income households ○ Need for an increase in stock providing opportunities for younger people to who are on low to moderate incomes. ○ Quality rental stock ○ Housing for those with a disability |

| Matter | Urbanxchange's recommendation |
|---|-------------------------------|
| <p>Housing Register list)</p> <ul style="list-style-type: none"> • Victoria in Future data tables. | |

6 CONCLUSION

The development will contain 10% affordable housing. The groups of identified need that will be the focus of housing are moderate income earners and those members of the community eligible for Specialist Disability Accommodation (SDA).

The affordable housing solution/s offered complement the offering of the adjacent Homes Victoria development without replicating it and are supported by research and demographic data for the City of Boroondara.

The Victorian Government, under section 3AB of the Planning and Environment Act 1987, has specified income ranges for Greater Melbourne with respect to affordable housing. It is on this basis that the discount for the provision of affordable housing is to be provided.

The affordable housing should be tenure blind, that is indistinguishable from all other dwellings in the development and maintained as affordable housing for a period of 10-20 years.

The developer will be responsible for delivering the affordable housing. Given the changing political environment and the period of approvals before the development commences the affordable housing should be flexible to reflect the changing environment.

Prior to the occupation of the dwellings in the development, the developer will inform the Responsible Authority, via written correspondence, how it has met the 10% affordable housing commitment. The proposed affordable housing correspondence must articulate:

- The location of the affordable housing (nomination of location and approximate timing of delivery)
- The proposed delivery mechanism of the affordable housing.

For our cities to function in the most efficient and equitable manner, they must be able to provide all residents with housing that enables people to fully participate in the job market, make stable education arrangements for their children, and maintain social connections.

The commitment to provide 10% of dwellings within this development as affordable housing assists to provide a diverse range of dwelling types, tenures and price points so that all members of the community can find housing appropriate to their needs and within their household income.

7 ATTACHMENT 1 – OVERVIEW OF AUSTRALIAN HOUSING

Australian dwelling prices have grown much faster than incomes, particularly since the mid-1990s. Long-term, prices have risen rapidly in all cities and most regions, although there are variations from year to year.⁸ Average prices have increased from about two to three times' average disposable incomes in the 1980s and early 1990s, to about five times more recently⁹. Median prices have increased from around four times' median incomes in the early 1990s to more than seven times today (and more than eight times in Sydney)¹⁰.

Population growth is a basic, if often overlooked factor in differences between housing systems. High population growth means that a housing system needs to continuously add new stock, which may have implications for the replacement of old stock; the investment of resources in new supply needs also to be financed and implemented. Volatility in rates of growth may pose challenges for the planning, financing and marketing of housing. All these factors may have implications for the distribution of housing between sectors and between people.

House prices have always been significantly higher in Australia's major cities than in the regions. The location of dwellings in relation to cities, infrastructure and employment is largely dependent on housing prices. The underlying value of the land is directly reflected in the price. While Australia has an abundance of land, there is a limited supply of well located land, particularly close to the centre of our biggest cities.

Home ownership rose rapidly in Australia in the early 1950s, from about 50 per cent to 70 per cent. Overall home ownership remained around 70 per cent for the

next 50 years; a slight decline during the past decade saw it fall to 67 per cent in 2016.

But the ageing of the Australian population has concealed a greater fall in home-ownership rates during the past 20 years for all but the oldest households. Younger Australians have always had lower incomes and less accumulated savings, hence lower home-ownership rates. But between 1981 and 2016, home ownership rates among 25-34 year olds fell from more than 60 per cent to 45 per cent (see Figure 3). Only some of this is the result of people starting work, forming long-term partnerships, and having children later in life. Ownership of one's own home has also fallen for middle-age households, suggesting that most of the fall in home ownership is due to higher dwelling prices rather than changing preferences for home ownership among the young.

Consequently, without intervention, home ownership rates are unlikely to bounce back over time. For 35-44 year olds, home ownership has fallen fast – from 74 per cent in 1991 to around 62 per cent today – and home-ownership is also declining for 45-54 year olds. These trends are expected to translate into a 10-percentage point fall in home-ownership rates for over-65s by 2046.

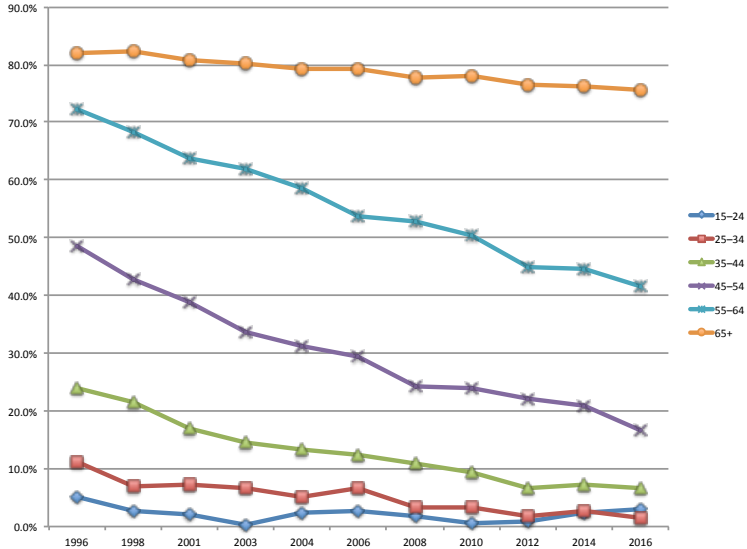
⁸ Stapledon (2012).

⁹ C. Kent (2013); Ellis (2017a); and Fox and Finlay (2012).

¹⁰ The median dwelling price compared with median household disposable income is the best price-to-income measure, but median measures are often not as readily available as

average measures: CoreLogic (2016). Other price-to-income measures are even higher due to differences in measuring incomes and prices (for example, Demographia (2017) calculates Sydney has a price-to-income ratio of 12).

Figure 3 - Home ownership rates via age groups (%)



If

Table 7. Home ownership rates by age and income, 1981 and 2016 (%)

| % of income earners | 25 - 34 | | 35 - 44 | | 45 - 54 | | 55 - 64 | |
|---------------------|---------|------|---------|------|---------|------|---------|------|
| | 1981 | 2016 | 1981 | 2016 | 1981 | 2016 | 1981 | 2016 |
| Lowest 20 | 62.7 | 22.7 | 67.1 | 36.8 | 69.9 | 47.7 | 76.6 | 60.5 |
| 21 - 40 | 52.0 | 34.1 | 65.5 | 52.8 | 72.3 | 61.6 | 78.5 | 70.8 |
| 41 - 60 | 62.3 | 45.6 | 76 | 65.9 | 77.4 | 73.5 | 82.4 | 80.5 |
| 61 - 80 | 65.1 | 49.6 | 79.8 | 70.0 | 82.5 | 78.6 | 86.4 | 84.1 |
| 81+ | 62.5 | 55.1 | 79.9 | 72.0 | 87.6 | 82.1 | 88.3 | 87.8 |

This is further extrapolated to home ownership rates by age and income in 1981 and 2016 and reviewed against the quintiles as was done by Burke¹¹, the resultant information shows a dramatic fall in home ownership among the 25-34 age group, particularly for those at or below the median, as shown Table 7.

Home ownership has been the Australian way of wealth creation for many generations. Many aspects of Australian policy, including areas relating to retirement incomes, access to finance and rental tenure, have been built on the assumption that most Australians will own their home.

¹¹ Burke et al. (2014). Burke, T., Stone, W. and Ralston, L. *Generational change in home purchase opportunity in Australia*. 232. Australian Housing and Urban Research Institute

Existing trends suggest that a greater proportion of people reaching retirement age will be renting and that more of them will depend on the private rental market rather than social and public housing (Table 8).

More homeowners will still be paying off their mortgage when they retire, as the proportion of 55-64 year olds who own their houses outright fell from 72 per cent in 1995-96 to 42 per cent in 2015-16.

Table 8. Percentages of households that own home outright, by age group

| Year | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|------|-------|-------|-------|-------|-------|------|
| 1996 | 5.1 | 11.1 | 23.9 | 48.5 | 72.2 | 81.9 |
| 1998 | 2.6 | 7.1 | 21.4 | 42.8 | 68.2 | 82.4 |
| 2001 | 2.0 | 7.2 | 17.1 | 38.8 | 63.9 | 80.7 |
| 2003 | 0.3 | 6.8 | 14.5 | 33.6 | 62.0 | 80.2 |
| 2004 | 2.4 | 5.0 | 13.4 | 31.4 | 58.6 | 79.2 |
| 2006 | 2.7 | 6.5 | 12.4 | 29.3 | 53.7 | 79.2 |

| Year | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|------|-------|-------|-------|-------|-------|------|
| 2008 | 1.8 | 3.4 | 10.8 | 24.2 | 52.8 | 77.8 |
| 2010 | 0.6 | 3.3 | 9.3 | 23.9 | 50.3 | 78.1 |
| 2012 | 0.8 | 1.8 | 6.8 | 22.1 | 45.0 | 76.4 |
| 2014 | 2.5 | 2.7 | 7.4 | 21.0 | 44.6 | 76.3 |
| 2016 | 3.0 | 1.5 | 6.5 | 16.6 | 41.6 | 75.5 |

The Grattan Institute report *The wealth of generations*¹² showed that today's generation of young Australians are at increasing risk of being worse off than their parents. Older Australians are capturing a growing share of the nation's resources.

Despite the global financial crisis, households in the 65-74 year old age bracket today are \$480,000 wealthier in real terms than households of that age group 12 years ago. Households that were in the 35-44 year old group in 2005-06 increased their average wealth by almost \$600,000 in the subsequent decade.

¹² Daley et al. (2014). Daley, J., Wood, D., Weidmann, B. and Harrison, C. *The wealth of generations*. Report No. 2014-13. Grattan Institute

Many younger Australians are adapting rising house prices by starting independent living much later. Many chose to stay at home or rely upon family and friends to assist with the start of their home purchase.

Table 9. Percentage of 20-34 year olds who are the head of their household

| Year | Australia | Victoria |
|------|-----------|----------|
| 1981 | 36.2 | 36.0 |
| 1986 | 36.7 | 35.8 |
| 1991 | 36.0 | 34.8 |
| 1996 | 37.3 | 35.9 |
| 2001 | 37.3 | 35.9 |
| 2006 | 36.0 | 35.0 |
| 2011 | 34.0 | 33.2 |
| 2016 | 32.6 | 32.2 |

Table 10 of housing tenure across Australia cities shows the fall in outright ownership and even ownership with a mortgage. The growth of rental housing in our two biggest cities is also evident.

The change in dwelling tenure status between the 2011 and 2016 census data is shown below:

Table 10 – Change in housing tenure in Australian Capital Cities from 2011 to 2016 census data

| Tenure | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart |
|---------------------------------|--------|-----------|----------|----------|---------|--------|
| Owned outright | 2.24% | 2.54% | 4.26% | 0.96% | 5.12% | 1.88% |
| Owned with a mortgage | 1.88% | 7.37% | 4.39% | 3.65% | 13.73% | 2.23% |
| Rented: | 12.98% | 17.35% | 11.07% | 6.23% | 5.80% | 7.41% |
| Social | -1.01% | -0.10% | -3.30% | -9.99% | -5.01% | -4.98% |
| Private | 15.61% | 19.53% | 13.20% | 11.41% | 7.68% | 11.17% |
| Landlord type not stated | -7.71% | -10.21% | -13.77% | -20.42% | -13.84% | -5.15% |
| Other tenure type | 16.50% | 17.77% | 12.87% | 11.47% | 3.06% | 13.63% |
| Tenure type not stated | 17.56% | 25.32% | 30.66% | 17.27% | 22.38% | 29.48% |

Those not stating the tenure type is significant, as is the growth on private rentals.